SASKATCHEWAN POWER CORPORATION
DESIGNATED EMPLOYEE BENEFIT PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Provincial Auditor Saskatchewan

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INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Saskatchewan Power Corporation Designated Employee Benefit Plan, which comprise the statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010; and the statement of changes in net assets available for benefits for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Power Corporation Designated Employee Benefit Plan as at December 31, 2011, December 31, 2010, and January 1, 2010, and the changes in its net assets available for benefits for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for pension plans.

Regina, Saskatchewan
March 15, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

SASKATCHEWAN POWER CORPORATION
DESIGNATED EMPLOYEE BENEFIT PLAN
STATEMENT OF FINANCIAL POSITION

STATEMENT 1

(in thousands)

AS AT	December 31 2011	December 31 2010	January 1 2010 (Note 2c)
ASSETS			
Investments, at market (Note 3)			
Mutual funds	$4,499	$ 4,654	$ 4,692
Guaranteed Investment Certificates	1,591	1,976	2,007
Total assets	6,090	6,630	6,699
NET ASSETS AVAILABLE FOR BENEFITS	$6,090	$ 6,630	$ 6,699

(See accompanying notes to the financial statements)

SASKATCHEWAN POWER CORPORATION **STATEMENT 2**
DESIGNATED EMPLOYEE BENEFIT PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31

	(in thousands) 2011	2010
INCREASE IN ASSETS		
Dividends	$ 79	$ 44
Interest	55	77
Contributions	-	4
Increase in market values of investments	-	254
Total increase in assets	134	379
DECREASE IN ASSETS		
Withdrawals	557	448
Decrease in market values of investments	117	-
Total decrease in assets	674	448
Decrease in net assets	(540)	(69)
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	6,630	6,699
NET ASSETS AVAILABLE FOR BENEFITS, end of the year	$6,090	$6,630

(See accompanying notes to the financial statements)

SASKATCHEWAN POWER CORPORATION
DESIGNATED EMPLOYEE BENEFIT PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. Description of the Plan

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Designated Employee Benefit Plan (the Plan) in 1984 for the payment of supplementary retirement benefits to Participants. The purpose of this Plan is to invest employees' monies raised through payroll deduction, voluntary contributions, and banked days off. After 1986, banked days off had their own plan called the Supplementary Retirement Benefit Plan which was then replaced in 1988 by the Supplementary Superannuation Plan. The Plan is considered to be a salary deferral arrangement (SDA) under the *Income Tax Act* (Canada). The Plan was grandfathered in 1986 when Canada Revenue Agency (CRA) changed the tax rules regarding salary deferral plans at which time the Plan was closed to new employees.

A trust has been established to hold the properties of the Plan. SaskPower is the sponsor of the Plan and MGI Financial Inc. are the trustees of the Plan. The trustee has established a separate account for each Participant in the Plan. The funds in a Participant's account may be invested in one or more investment options and a Participant shall be entitled to transfer the funds held under one investment option to another. SaskPower's obligations are limited solely to the making of contributions to the Plan in accordance with the Plan document.

SaskPower was the administrator of the Plan from January 1, 1984 to November 16, 2004. On November 16, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Enrollment

The Plan has been closed to new members since 1986.

There are no longer any remaining active Participants in the Plan currently working for SaskPower deferring salary on a monthly basis. As of December 31, 2011 there were 41 (2010 – 41) non-active Participants withdrawing from the Plan and an additional 13 (2010 – 14) non-active Participants not withdrawing.

Contributions

SaskPower makes basic contributions to the Plan from any of the following sources:

a) An amount not exceeding 40% of a Participant's salary, as per an election made by the Participant; and
b) If a basic contribution is made by SaskPower to the Plan, SaskPower shall make an additional contribution to the Plan which is equal to the amount that it would have contributed to the Defined Contribution Pension Plan.

No Participant is permitted to make contributions directly to the Plan.

Benefits

A Participant's benefit entitlement date is normally the first of the month following the latter of the date upon which the Participant attains the age of 65 and the date the Participant terminates active service with SaskPower. If a Participant terminates active service with SaskPower prior to age 65, the Participant must elect an alternate benefit entitlement date which is no earlier than January 31 of the calendar year following the calendar year the Participant makes the election. Notwithstanding the foregoing, in no event shall a Participant's alternate benefit entitlement date be later than the 1st of the month following the date the Participant attains the age of 65.

At least three months prior to the benefit entitlement date, a Participant may elect by notice in writing to SaskPower to receive the funds held in the Participant's account in one of the following ways:

a) As a series of periodic installments ending not later than a date 15 years following the Participant's benefit entitlement date; and
b) As a series of periodic installments payable for the Participant's lifetime or the longer of the Participant's lifetime and the Participant's spouse's lifetime, with or without a guaranteed period. If a guaranteed period is chosen, it shall not exceed 15 years.

The total amount of any installments in one calendar year shall not exceed an amount equal to one fifth of the value of the Participant's account as at the Participant's benefit entitlement date. Notwithstanding this restriction, the amount of any installment payable after a period of five years from the benefit entitlement date may exceed the amount specified in this paragraph.

If a Participant terminates active service with SaskPower prior to the age of 65, the Participant may elect to receive the funds contained in the Participant's account in the form of a single payment or such other form as agreeable to SaskPower and the Participant.

Death of a Participant

If a Participant dies prior to the Participant's benefit entitlement date, the Participant shall be deemed to have retired on the Participant's date of death and the Participant's retirement benefits will be paid in the form of an annuity with equalized payments over a ten-year period commencing on the first day of the month following the Participant's date of death.

If a Participant dies after the Participant's benefit entitlement date, then any amounts remaining as unpaid shall be paid in the same form as the Participant elected.

In the event of a Participant's death, the trustee shall make any payments to the person designated in the Participant's will or if no such person has been designated to the Participant's estate.

2. Basis of Preparation and Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CICA Handbook, section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

The following accounting policies are considered significant:

a) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which have been measured at fair value.

b) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act.

Investments recorded at fair value are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 – Quoted prices are readily available from an active market.
Level 2 – Inputs, other than quoted prices included in level 1, which are observable either directly or indirectly.
Level 3 – Inputs are not based on observable market data.

The Plan's investments are categorized as level 1.

c) Adoption of new accounting standards

Effective January 1, 2011, the financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CICA Handbook, section 4600, Pension Plans. These standards are required to be adopted with retrospective restatement. The transition to the new standards did not require any changes to prior year figures or the Plan's accounting policies. The opening statement of financial position in accordance with section 4600 as of January 1, 2010 has been disclosed for comparative purposes.

3. Investments

Guaranteed Investment Certificates

The Plan allows participants to invest in Guaranteed Investment Certificates (GIC) maturing within 1 to 5 years, held with Chartered Banks which are federally insured against failure and bankruptcy. These investments earn interest ranging from 1.40% to 5.06% (2010 – 1.40% to 5.06%).

Mutual Funds

The Plan allows participants to invest in various types of mutual funds including Canadian money market funds, Canadian bonds, Canadian equities, United States equities, Global equities and International equities. As at December 31, 2011, the Plan held investments with the following investment managers:

Mackenzie Investments
AIM Trimark Investments
Fidelity Investments

4. Financial Risk Management

The nature of the Plan's operations results in a statement of net assets available for benefits that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk and foreign exchange risk) and liquidity risk.

Credit Risk

The Plan's credit risk arises primarily from investments. The maximum credit risk to which it is exposed at December 31, 2011 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $'s)	
	2011 Carrying value	**2010** Carrying value
Investment[1]	$6,090	$6,630

[1] GIC & Mutual Funds

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by change in interest rates and foreign exchange rates. Market value risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its investments. This risk is managed by investing in financial assets of fixed rates and short-term duration.

Foreign exchange risk

The Plan is exposed to changes in foreign exchange rates through its Mutual Fund investments.

Liquidity Risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets which are federally insured against failure and bankruptcy.

5. Related Parties

SaskPower and PEBA are related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received use of office space and administrative services from SaskPower at no charge. PEBA provides administrative services to the Plan for an administration fee which is paid by SaskPower.